



Agriculture Loans for Alaska Farmers

*Sources of financing for Alaska agriculture enterprises**

ABM-00240

This bulletin contains information on sources of financing for agricultural producers in Alaska. The information describes lending programs, including their purpose, borrower eligibility requirements, loan types, loan terms and contact information. To learn how a program might fit the needs of an individual enterprise, readers should talk with a loan officer.

Loan programs change, so the information in this bulletin will become out-of-date with the passage of time. For current information, prospective borrowers should use the contact information for each program or request assistance from their local Cooperative Extension Service office.

Prospective borrowers may also be interested in contacting their local banker for additional sources of assistance.

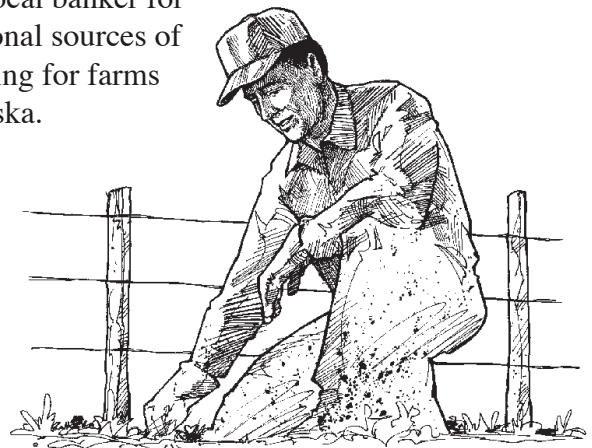
We offer this bulletin as an introduction to the credit options available to Alaskans. Borrowing can determine the success or failure of a business enterprise. We hope that this information will help Alaskans make choices that will maximize their chances for success.

AGRICULTURAL LOANS

- Agricultural Revolving Loan Fund (ARLF)
- Alaska Rural Rehabilitation Corporation (ARRC)
- Farm Credit Services (FCS)
- Farm Service Agency (FSA)
- Alaska Commercial Fishing and Agriculture Bank (CFAB)
- Native American Bank (NAB)
- Alaska Housing Finance Corp., USDA Rural Development (USDA-RD), Alaska Community Development Resource Guide and USDA Rural Information Center (RIC)

While each of these programs provide agriculture loans, they are different in the types and purposes for which they lend. An understanding of each program is essential to avoid wasted time and effort.

The following summary provides a better understanding of each loan program. Contact your local banker for additional sources of financing for farms in Alaska.



** These loan programs are not for farmers only, but for ranchers, processors, greenhouse operators and others involved in agricultural enterprises.*

AGRICULTURAL REVOLVING LOAN FUND (ARLF)

The purpose of the ARLF is to promote the development of agriculture as an industry throughout Alaska by means of moderate interest rate loans. Loan applications must be submitted on ARLF forms. After ARLF staff evaluation, they are submitted to the Board of Agriculture and Conservation for consideration monthly.

ELIGIBILITY: Applicants must provide a description of their business and agricultural experience. Loans may be made to Alaskan individuals, partnerships, joint ventures, corporations or other business entities.

CONDITIONS AND COLLATERAL: Loan funds may only be used for agricultural production or processing operations in Alaska. They must be secured by collateral acceptable to ARLF and may not exceed 75 percent of appraised collateral value. Collateral may include land, improvements, machinery, equipment, crops or livestock.

LOAN TERMS: Loan terms will be based on a borrower's ability to service the loan. Payments may be monthly, quarterly, semi-annual, annual or variable.

INTEREST RATES AND FEES: Fixed interest rates are established by the Board of Agriculture and Conservation, consistent with the state objective of providing moderate interest rate loans. A \$50 nonrefundable application fee is required. Additional fees may be charged for appraisals, title insurance and other costs required to process and close loan applications.

CONTACT:
State of Alaska
Division of Agriculture
Agricultural Revolving Loan Fund
1800 Glenn Hwy., Suite 12
Palmer, AK 99645-6736
phone: 907-745-7200
fax: 907-745-7242
website: www.dnr.alaska.gov/ag

ARLF LOAN TYPES	PURPOSE	MAXIMUM LOAN	MAXIMUM TERM
Farm Development (non-residential)	purchase/construct land and buildings	\$1,000,000	30 years
Chattel	purchase equipment or livestock	\$1,000,000	7 years
Short Term	operating expenses	\$200,000	1 year
Irrigation	equipment purchase and installation	\$1,000,000	30 years
Product Processing	build and equip processing facilities	\$250,000	30 years
Clearing	land clearing	\$250,000	20 years

*Total outstanding balances of ARLF loans for a borrower may not exceed \$1,000,000.
Fixed rate 5 percent.*

ALASKA RURAL REHABILITATION CORPORATION (ARRC)

ARRC is a nonprofit corporation dedicated to the permanent development of Alaskan agriculture. It was originally created to support the Matanuska Valley colonization project in 1935. It now provides financing for Alaskan agricultural producers.

ELIGIBILITY: Applicants must provide evidence of business experience and Alaska residency. Loans may be to individuals, partnerships, joint ventures, corporations or other business entities.

CONDITIONS AND COLLATERAL: Loan funds may only be used for agricultural production or processing operations in Alaska. They must be secured by collateral acceptable to ARRC and may not exceed 70 percent of appraised collateral value. Collateral may include equipment, machinery, land, improvements, boats, motor homes and vehicles, but not crops or animals.

PAYMENT SCHEDULES: Payment terms will be based on a borrower's ability to service the loan

and may be monthly, quarterly, semi-annual, annual or variable.

INTEREST RATES AND FEES: Competitive fixed interest rates are established by the board of directors. They are currently between 5 and 8 percent and are offered with a two-year review option. A \$100 nonrefundable application fee that includes the cost of a credit report is required. Additional fees may be charged for appraisals, credit reports and other costs required to process loan applications.

CONTACT:

Alaska Rural Rehabilitation Corporation
248 E. Dahlia Ave.
Palmer, AK 99645
phone: 907-745-3390
fax: 907-746-3555
website: steve@arrc.us

ARRC LOAN TYPES	PURPOSE	MAXIMUM LOAN	MAXIMUM TERM
Chattel	purchases of new and used farm equipment	none	7 years
Real Estate	purchases of land, buildings and equipment	none	20 year
Future Farmers	to promote a working knowledge of agriculture	none	5 years
Line of Credit	any farming use, seed, fertilizer and other operating costs	none	5 years

FARM CREDIT SERVICES (FCS)

Established by Congress in 1916, this cooperative is one of the nation's oldest institutions created to help American farmers, ranchers, timber producers, harvesters of aquatic products and farm-related businesses to prosper. With more than 90 years of agricultural lending experience, the nationwide Farm Credit System is the largest single provider of credit to American agriculture.

LOAN TYPES: Long-term real estate related loans, short-term loans for operating needs, intermediate term loans for livestock and equipment purposes and country home loans (for communities under 2,500 population). Agricultural cooperatives are eligible applicants.

ELIGIBILITY: Varies with type of loan needed.

LOAN AMOUNT: No set maximum. Limiting factors are typically dependent on the value of the security offered or repayment ability of the applicant.

INTEREST RATES: Various programs available, including variable rates; adjustable rates fixed for one-, three- or five-year intervals; and fixed rates.

PURPOSE: *Operating expenses* — short-term loans for such items as feed, seed, fertilizer and other planting and harvesting expenses.

Real estate purchases — loans for acquiring a farm, ranch, timberland, additional acreage or rural home.

Livestock or equipment purchases — loans for acquiring livestock, new or used machinery, vehicles and fishing vessels.

Refinance existing debt — capital to refinance mortgages and contracts or consolidate other debts on terms tailored to fit your repayment schedule.

Other — operational needs and non-business loans for full-time ag producers (e.g., college loans, home improvements).

Specialized services

Leasing services — to obtain the use of equipment and other capital items with lease terms structured to your needs.

Life and disability insurance — for family financial protection.

CONTACT: For agriculture loans

Farm Credit Services

P.O. Box 420

1123 South Market Blvd.

Chehalis, WA 98532

phone: 360-748-6651

credit: 360-748-1305

fax: 360-748-1824

website: www.farm-credit.com



FARM SERVICE AGENCY (FSA)

Farm Storage Facility Loan Program

Under the Commodity Credit Corporation (CCC) Charter Act, USDA may make loans to producers to build or upgrade farm storage and handling facilities. The Farm Storage Facility Loan Program is administered by USDA's Farm Service Agency (FSA).

Commodity Loans

Marketing assistance loans provide producers interim financing at harvest time to meet cash flow needs without having to sell their commodities when market prices are typically at harvest-time lows.

Loan Deficiency Payments

For a commodity to be eligible for a marketing assistance loan or a loan deficiency payment (LDP), the producer must have beneficial interest in the commodity in addition to other eligibility requirements.

Farm Loan Program

Two types of financing are offered in this program: direct loans and guaranteed loans.

(FO) and Operating Loans (OL) in addition to providing credit counseling and loan supervision. FSA guaranteed loans provide conventional lenders with up to a 95 percent guarantee of the principal amount of loans made to agricultural producers. Farmers interested in this program must first apply to a conventional lender, who then arranges for an FSA guarantee. The following table contains information about the seven different loan programs.

CONTACT:

Northern FSA Service Center
P.O. Box 585

Delta Junction, AK 99737

MP 1420.5 AK Hwy

phone: 907-895-4242 Ext. 100

e-mail: lloyd.wilhem@ak.usda.gov

Southern FSA Service Center

phone: 800 W. Evergreen, Suite 216

Palmer, AK 99645

phone: 907-761-7772

e-mail: doug.carter@ak.usda.gov

FSA makes and services direct Farm Ownership

FSA website: www.fsa.usda.gov

FSA LOAN TYPES	PURPOSE	MAXIMUM LOAN	MAXIMUM TERM
Direct Farm Ownership	purchase land, construct buildings/improvements, soil and water conservation	\$300,000	40 years
Beginning Farmer or Socially Disadvantaged Farmer Down Payment Farm Ownership	purchase a farm or ranch	lesser of: 45 percent of purchase or appraised value or \$500,000	20 years
Direct Operating	purchase livestock, poultry, equipment, feed, seed, supplies; soil and water conservation; farm chemicals, insurance, refinancing	\$300,000	1 to 7 years
Direct Emergency (Requires a disaster declaration within farm's geographic area)	restore or replace property, pay production costs, pay family living expenses, reorganize operation, refinance	100 percent of actual physical losses within program limits or maximum of \$500,000	Up to 20 years on chattel Up to 40 years on real estate physical losses
Guaranteed Operating	same as Direct Farm Operating Loans	\$1,094,000 adjusted annually for inflation	Determined by Lender
Guaranteed Farm Ownership	same as Direct Farm Ownership with addition of refinance option	\$1,094,000 adjusted annually for inflation	Determined by Lender
Youth Loan (at least 10 but not yet 21 years old and live in rural community)	Finance an agriculturally based, income producing project.	\$5,000	1 to 7 years

ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK (CFAB)

CFAB is a private member-owned lending cooperative that provides short- and long-term financing to resident Alaskans and Alaska-owned enterprises. In addition to commercial fishing and farming, CFAB finances tourism related enterprises as well as other resource based activities.

TERMS: The length of the loan is based on its purpose, with a maximum of 12–15 years for term loans. Since most operations are seasonal, the majority of loans require annual payments; however, other and unusual repayment schedules can be accommodated.

LOAN AMOUNT: There is no limit for the majority of loan requests. The loan amount is generally based on the projected needs, profitability and credit worthiness of the borrower as determined by CFAB.

INTEREST RATE: Variable. As a cooperative, CFAB returns a share of its net margins (profits), if any, to its eligible borrowers.

PURPOSE: Any commercially viable project.

ELIGIBILITY: Alaska resident.

CONTACT:

CFAB

P.O. Box 92070

Anchorage, AK 99509-2070

3040 Lakeshore Drive

Anchorage, AK 99517

phone: 907-276-2007 or

800-544-2228 outside Anchorage

website: www.cfabalaska.com

NATIVE AMERICAN BANK

Native American Bank provides a full range of business loans available to anyone, but with a focus on lending to tribes, tribally owned enterprises, Alaska Native village corporations and businesses owned by individual Native Americans and Alaska Natives. Loans are available in all 50 states, and are tailored to meet the unique needs of the bank's customers. The primary mission is to assist Native American and Alaskan Native individuals, enterprises and governments to reach their goals by providing affordable and flexible banking and financial services.

TERMS: The length of the loan is based on its purpose, with a maximum of 15–18 years for term loans secured by real property. Most loans require monthly payments of interest and principal. Depending on the nature of the business, alternative payment schedules can be arranged.

LOAN AMOUNT: The loan range varies based on need, collateral and the expertise of the borrower. At this time, the bank prefers to keep loans limited to around \$500,000 per borrower, but can make

additional funds available on a case by case basis. There is no minimum size for a loan, but customers are encouraged to start with a small loan to build a track record. Underwriting decisions are heavily tied to the ability of the borrower to repay; collateral value, loan guarantees and other features are important but are considered secondary to the soundness of the business.

INTEREST RATE: Variable. Most loans have a floor that sets a minimum interest rate of around 6 percent.

PURPOSE: Any commercially viable project.

ELIGIBILITY: Alaska resident.

CONTACT:

Native American Bank

510 West Tudor, Suite 8

Anchorage, AK 99503-6649

phone: 907-646-1212 or

800-368-8894 outside Anchorage

website: www.nabna.com

ADDITIONAL RURAL ASSISTANCE ORGANIZATIONS AND PROGRAMS

Alaska Housing Finance Corporation (AHFC)

AHFC offers a number of housing finance programs: 1) a Rural Non-Owner Occupied Loan Program, 2) a Rural Enhanced Loan Program and 3) a Rural Owner Occupied Loan program. These programs offer terms that are intended to address the often unconventional needs of Alaskans living in small communities. The AHFC also has a Research and Rural Development program that provides information through its Research Information Library as well as publications about log building construction and an *Alaskan Housing Manual*. This program also oversees the comprehensive weatherization of homes in rural Alaska.

CONTACT:

AHFC

4300 Boniface Parkway 99504

P.O. Box 101020

Anchorage, AK 99510-1020

phone: 907-338-6100 or (800) 478-2432

fax: 907-338-9218

website: www.ahfc.state.ak.us

USDA Rural Development (USDA-RD)

The USDA-RD mission is to help rural Alaskans create, build and sustain ventures within communities and to see that all federal, state, non-profit and private sector programs are accessible to residents of rural Alaska, regardless of the size of the community.

Rural Development operates federal loan and grant programs designed to strengthen rural Alaska businesses, finance new housing, improve existing rural housing, develop community facilities and stimulate rural employment. Direct and/or guaranteed loans are available for housing, water and waste, rural businesses, community facilities, electric power and telecommunications. Rural Development is an agency of the U.S. Department of Agriculture and provides Rural Utilities Programs, Rural Housing Programs and Rural Business-Cooperative Programs. It also contains the Office of Community Development.

CONTACT:

USDA Rural Development Alaska State Office

800 W. Evergreen, Suite 201

Palmer, AK 99645

phone: 907-761-7705

fax: 907-761-7783

website: www.rurdev.usda.gov/ak

Alaska Community Development Resource Guide

The Alaska Economic Development Resource Guide is designed to bring together in one place an inventory of programs and services which can provide economic development assistance to Alaska communities and businesses.

Federal and state agencies, as well as national and Alaska private nonprofit agencies, are represented. This directory primarily describes those programs which focus on the creation and support of new industries, businesses and long-term jobs. It is designed to help communities match their economic development strategy with existing program resources which could support that strategy.

CONTACT:

State of Alaska

Division of Community Advocacy

Department of Commerce, Community and Economic Development

550 W. 7th Ave., Suite 1770

Anchorage, AK 99501-3501

website: www.commerce.state.ak.us/dca/edrg/EDRG.htm

Resource Guide is available on CD as an Adobe Acrobat file. Please send request to the above address.



ADDITIONAL RURAL ASSISTANCE ORGANIZATIONS AND PROGRAMS (cont.)

USDA Rural Information Center (RIC)

The Rural Information Center (RIC) provides information and referral services to local, tribal, state and federal government officials; community organizations; rural electric and telephone cooperatives; libraries; businesses; and citizens working to maintain the vitality of America's rural areas. The RIC website contains over 3,000 links to current and reliable information on a wide variety of rural resources and funding sources, including RIC's Database and Federal Funding Sources for Rural Areas Database.

CONTACT:

Rural Information Center
National Agriculture Library
10301 Baltimore Avenue, Room 132
Beltsville, MD 20705-2351
phone: 800-633-7701
fax: 301-504-5181
website: www.nal.usda.gov/ric

For more information, contact your local Cooperative Extension Service office or Tony Nakazawa, Extension Economist, at 907-279-2712 or atnakazawa@alaska.edu. This publication was originally written by Jerry Purser, Extension Farm Management, in 1995. Revised by Tony Nakazawa, Extension Economist; Hans Geier, Extension Economist; and A.W. "Bill" Hall, Extension Engagement and Outreach Coordinator, in October 2009.

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